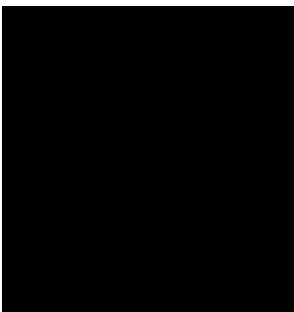


Bangalore  
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## Objective

The objective of this paper is to analyze a selection of micro-credit enterprises which have been initiated and/or maintained by Sampark's credit program. In particular the aim is to firstly assess how the various types of loan programs differ from each other; secondly what kind of methods the owners use to manage their businesses and thirdly in what way the loans impact the owners' business and private lives.

## Methodology

In order to answer these questions interviews have been conducted with five owners of enterprises in five different villages close to Koppal. For the detailed list of villages and enterprises please refer to table 1.

Case	Village	Type of enterprise
N°1	Belur	Food Shop
N°2	Gondabal	Brick & Dairy Production
N°3	Kinnal	Saree Shop
N°4	Kolur	Cropping
N°5	Kampli	Seeds & Slipper Shop

**Table SEQ Table \\* ARABIC 1: List of villages and businesses where interviews have been conducted**

## Findings



## Differences between various loan programs

In general the owners of the interviewed enterprises take loans from three different institutions, either from a bank, one of Sampark's SHGs (self helping groups) they are a member of or from one of Sampark's clusters or cooperatives. The interviewed enterprises have taken capital from the three different institutions which are visualized in table 2.

Types of loans utilized by the researched Micro-financed enterprises					
Loan taken from	Type of business				
	Seeds & Slipper shop	Food shop	Brick & dairy production	Cropping	Saree shop
Bank					x
SHG*	x	x		x	x
Cluster*	x		x		x
Cooperation*			x		

\* of Sampark

**Table 2: Types of loans utilized by the researched businesses**

The three major differences between a bank loan and capital given by Sampark's SHGs or clusters is the usage of money, the flexibility of paying back the money as well as the support given by the institutions.

Whereas a bank usually gives out a loan for business purposes only, that is to open an enterprise, Sampark provides loans for other various types of usages, such as education, constructing houses etc. Nirmala who opened a saree shop with the help of Sampark (see Appendix Case 3) also took a loan from her SHG and cluster to finance the education of her daughters. With the help of the loan two of her daughters went to university to get a degree as engineer and medical doctor.



Moreover another essential difference between a bank loan and one taken by Sampark's cooperatives is the enterprise training given to lenders who plan to open their own businesses. In comparison to Sampark a bank institution simply gives out the loan but does not provide the potential business owners with a training. Sampark offers courses on how to open and maintain a business. Nirmala for instance was not familiar with any business related issues and hence never dared to open her own saree shop. Only when she got a member of one of Sampark's SHG and heard about the enterprise training she dared to start her business.

Furthermore one can also differentiate between a loan taken from Sampark's SHGs and cluster/cooperative. Whereas the SHGs have a more flexible payback structure where only the interest needs to be paid in case of a current lack of earnings and the principal amount can be postponed, the cluster's and cooperative's payback schedule does not allow their lenders to delay the principal. Table 3 summarizes the differences between each institution.

Bank	<ul style="list-style-type: none"><li>• Less flexible in paying back the principal and the interest</li><li>• Loans are usually given for business purpose only and not for private issues such as education or house construction</li></ul>
SHG	<ul style="list-style-type: none"><li>• Most flexible payback structure among the three options. In case of a lack of earnings, the principal can be postponed and only the interest has to be paid</li><li>• Loans can be taken for a variety of reasons such as education, opening and maintaining enterprises, constructing houses etc</li><li>• Enterprise training is given by Sampark along the loan to train the lenders how to open and maintain their businesses</li></ul>
Cluster & Cooperative	<ul style="list-style-type: none"><li>• The payback schedule is not as flexible as with SHGs. The principal cannot be postponed</li><li>• Loans can be taken for various purposes like with SHG loans</li><li>• Enterprise training is given by Sampark along the loan to train the lenders how to open and maintain their businesses</li></ul>

## Methods used to manage the business



It can be said that the approach of how to manage one's own business highly varies. Based on the interviews four types of management styles can be identified.

The first group among the enterprises clearly focuses on their revenue and cost structure. They are aware of their spending as well as profit and have the goal of growing the business. Manjula's brick and dairy business (see Appendix Case 2) is an excellent example. She is capable of giving a clear breakdown of her costs and earnings and has grown the brick business over time.

The second group among the enterprises does not directly focus on their expenditures and sales. Yamunabi's seed and slippers business (see Appendix Case 5) proofs this. She is aware of her costs but cannot outline how much she sells during a certain period.

Moreover Fatima (see Appendix Case 1) only runs her food shop in order to escape from fieldwork and secondly to contribute something valuable to her community. She does not focus on revenue as long as her business can be maintained.

Lastly there seem to be certain owners who have not thought about the usage of their loan in advance. Ratnama and her husband (see Appendix Case 4) bought dry land and wanted to grow crops on it. However before having purchased the field they did not make a plan of how to cultivate the land if there is not enough rain water. Due to a lack of rainfall the crops cannot be grown and hence the land does not provide any income.

### **Impact of cooperatives' loans on the owners' enterprises and lives**

Even if not all of the lenders have a precise vision of their businesses many positive effects both of business and private related nature can be reported.

#### **Impacts on the business**



Firstly, a loan by Sampark's cooperatives, clusters and SHG gives their members the opportunity to start their own businesses. Both Fatima and Nirmala took capital to start their businesses. Along with the actual funds, the training given by Sampark enabled them to open their food and saree shop.

Furthermore loans have been used to maintain and further grow the enterprise. Yanumabi and her family use capital provided by Sampark to buy inventory for their seeds and slippers business. Other enterprise owners do not only take loans to maintain their businesses but to grow it. Manjula and her husband used capital from Sampark to increase the production capacity of their brick business. They invested in more input material and simultaneously could even enhance the number of employees. From a self run business they grew to a relatively big enterprise employing ten workers nowadays.

Other business owners have utilized loans to expand their product portfolio and to diversify. Nirmala diversified her saree business by having added night dresses and accessories to her initial inventory.

### **Impacts on the owners' lives**

Not only does a loan affect the business of a lender but also her family's private life. In terms of economic impacts the following can be mentioned:

- Through a loan and their own business many women had the opportunity to escape from poverty and improve the well being of their families. Yamunabi and her family often did not know how to pay for their daily food before they have started their enterprises. Both her husband and she were knitting carpets by hand from home for a cooperation. However their employer did not reimburse Yamunabi and her husband the way he was supposed to do which caused the family to have a huge shortage of money. Due to their own seeds and slipper shop they do not rely on an employer's salary anymore and can generate their own earnings which seem to be much more reliable.





- Due to the fact that many of the lenders could enhance their income they can now afford to send their kids to school and do not rely on their children's' earnings. Manjula for instance sends all of her three children to school and could even contract a life insurance.
- Moreover she had the possibility to open a deposit on the bank for her daughter's wedding. In addition with the income from her business Manjula's family could afford to build their own house and Fatima had the opportunity to finance the renovation of hers from the shop's sales.

Apart from financial impacts, a loan also affects the owner's level of education:

- Having been provided with enterprise training and having experienced how to manage a business, most of the owners gained an in-depth knowledge in the area of basic business administration. The interviews showed that many of the owners are now aware of how to maintain their enterprises, of how to save money and how to do bank transactions.
- Furthermore it was mentioned that some owners learnt how to communicate in a business related context.

Additionally the interviewed loan takers improved their social life.

- Due to the fact that a business usually brings along customer traffic, many owners reported that their contacts with others had increased. Nirmala also attracts residents from neighboring villages with her saree shop and thus has the chance to get to know people she did not know before.
- Furthermore it could be assessed that most of the owners enhanced their and their family's well being in general. Fatima feels much better these days as she does not have to work on the fields anymore under the burning sun.



## Conclusion

Taking everything into consideration it can be stated that in comparison to loans given by bank institutions, cooperatives of Sampark do not only restrict a loan taker to use it for a business purpose. Additionally Sampark provides enterprise courses to their members and offers a more flexible payback structure in comparison to state banks.

Moreover it has been assessed that owners of the enterprises follow different management styles. Whereas some of them have the intention to grow their business and monitor their expenditures as well as sales others operate their enterprises for the sake of their own and their communities' well-being and do not always keep track of the occurring costs and revenues.

Finally, the study identified that a loan given by Sampark's cooperatives for a business related purpose has many positive affects for the enterprise owners which are of economic, educational as well as social nature.



## Appendix



## Profile 1: Food shop in Belur

### Facts and Figures

<b>Name of owner</b>	Fatima	<b>Type of business</b>	Selling grain and lentils to end consumers
<b>Age of the owner</b>		<b>Opened business in</b>	2-3 years
<b>Civil status</b>	Married and has two sons and one daughter	<b>Location</b>	Belur
<b>SHG</b>	Yes	<b>Point of sale</b>	In her shop in Belur
<b>Illiterate/literate</b>	illiterate	<b>Employees</b>	She manages the shop and the family members help out

### Situation before having opened the own business

Fatima used to work on the fields as agricultural labor before she opened her shop. She was sick of always being exposed to the burning sun and the tiring physical work.

### Description of the Microcredit financed enterprise

With the help of a 10'000 IRP loan from a SHG Fatima had the chance to open her little shop where she mainly sells grains and lentils to the residents of Belur. Her shop is located in the family's house.

She is not entirely sure when her store first started to operate but she estimates it to be open for two to three years by now. To her the training given by Sampark of how to open and maintain a business has been essential. Without Fatima could not have started her shop as she was lacking the skills and the confidence. She now takes care of the business by herself and her family helps out when needed.

Neither details of the revenue nor of the expenditures could be given by Fatima. However due to the fact that she only took a one time loan in the first year and has financed her business by its turnover for the past two to three years one can assume that she runs her enterprise well above breakeven. According to Fatima her business does not have the sole purpose of generating profit but helps her to stay away from the field and contributes to the well being of her community.



## **Affects of the enterprise on the owner's life**

### **Economic effects**

With the savings of her shop Fatima could renovate her house.

### **Social effects**

When she was asked about other benefits she has gotten from the opening of her shop she mentioned that the interaction with residents from the village has increased.

## **Future Outlook**

### **Business Outlook**

Fatima does not have any other plans apart from maintaining the business as it is today.

## Pictures of the business and their owners





## Profile 2: Brick and dairy production in Gondabal

### Facts and Figures

<b>Name of owner</b>	Manjula	<b>Type of business</b>	Business 1: Production of bricks Business 2: Selling milk
<b>Age of the owner</b>	28	<b>Opened business in</b>	Business 1 – 2002 Business 2 - 2002
<b>Civil status</b>	Married. Has three children. All of them attend school	<b>Location</b>	Gondabal
<b>SHG</b>	Manjunat	<b>Point of sale</b>	At home
<b>Illiterate/literate</b>	literate	<b>Employees</b>	Business 1: Herself, her husband and 10 employees for both production and transportation Business 2: Herself and her husband

### Situation before having opened the own business

Before Manjula and her husband opened their dairy and brick business they were both earning a very little amount. Manjula got paid only 30 IRP a day as agricultural labor. Her husband produced bricks for another company and got 50 IRP for 1000 pieces. From the small earnings they barely could afford anything and lived in poverty.

### Description of the Microcredit financed enterprise

Eight years ago Manjula and her husband had the opportunity to take a loan from a wealthy family to start their own brick business. At the same time Manjula was given two cows by her father whose milk she used to open a dairy business selling milk. Due to weather conditions the brick enterprise is only operated during the summer months whereas the dairy business is open all year long.



## **Business 1: The bricks**

Production of the bricks takes place on a rented site. A mixture of red soil, charcoal and water is kept for one day until the pasture is used to mould the bricks by hand. The individual bricks are then burnt and dried for five days until they get transported to Manjula's house where they are stored and sold.

When the business got started it was only Manjula and her husband working for their enterprise. However four years ago, when Manjula has joined Sampark, she could take further loans which enabled her to expand the business. Firstly the loan was used to employ production as well as transportation staff and secondly to invest in input materials. As a consequence the production capacity could be doubled from 50'000 bricks a month to about 100'000.

Besides Manjula and her husband, the business now employs ten more workers, six employees being responsible for production and four for transportation (from the production site to the storage room).

At a maximum around 833 bricks can be produced a day by each worker, summing up to a total production capacity of about 5000 bricks a day. Taken this amount the business can generate maximum revenue of 14'994 IRP a day. Deducting the production costs such as rent expenses for the ground, expenditures for input materials like soil and water, transportation costs from the manufacturing site to the warehouse and salary for the production staff, a daily profit of 3477 IRP can be earn. For a detailed cost and revenue break down please see table 1.





Revenue and expenditure (IRP) of brick business per day at maximum capacity*			
Production of bricks		Costs	
Bricks produced per person	833	Rent production ground	2.74
Amount of employees	6	Soil	9996.00
<b>Total production</b>	<b>4998</b>	Water usage	17.86
		Transportation	250.00
		Salary for staff	1250.00
		<b>Total costs</b>	<b>11516.60</b>
Revenue		Profit	
Selling price per brick	3	<b>Total profit</b>	<b>3477.40</b>
<b>Total Revenue</b>	<b>14994</b>	Profit per brick	0.70

\*maximum capacity 5000 bricks

Table 1: Revenue and cost breakdown of the brick enterprise

## Business 2: Dairy enterprise

As mentioned before the dairy business got started with two cows given by her dad. Due to the loans taken from Sampark Manjula invested in four more cows. Please see table 2 for the loan schedule.

Date	Amount of loan	Loan taken from	Purpose	Paid back
2006	50'000	Cluster	Wages for the employed workers & material for the bricks	Yes
2007	20'000	Cluster	Bought one cow	Yes
2008	20'000	Cluster	Bought one cow	Yes
2009	50'000	Cluster	Bought two cow	No

Table 2: Loan schedule

Due to diseases four of the cows passed away leaving Manjula with two remaining ones.

Per day eight liters of milk are sold for 17 IRP a liter. Thus the dairy business generates total revenue of 136 IRP a day. No labor costs have to be paid as the business is only maintained by the couple. The feed for the cows is the only expenditure. After deducting these costs a profit of 64.57 IRP can be reported each day. Refer to table 3 below to see the costs and revenue of the dairy enterprise.



Revenue and expenditure (IRP) of dairy business per day			
Liters of milk		Costs	
Liters sold	8	Feed	71.43
<b>Total production</b>	<b>8</b>	<b>Total costs</b>	<b>71.43</b>
Revenue		Profit	
Selling price per liter	17	<b>Total profit</b>	<b>64.57</b>
<b>Total Revenue</b>	<b>136</b>	Profit per liter	8.07

**Table 3: Revenue and cost breakdown of the dairy business**

## **Affects of the enterprise on the owner's life**

### **Economic effects**

The revenue and cost breakdown of both businesses demonstrates that Manjula's family could increase their income dramatically in comparison to their initial earnings as employee and agricultural labor. Due to enhanced savings the family could afford to construct their own house of which Manjula is particularly proud of. Moreover she could register for a life insurance and has established a deposit on the bank to save for their two daughter's weddings. Due to the prospering businesses they were able of buying two new motorbikes and two new mobile phones.

### **Educational effects**

Furthermore Manjula mentioned that thanks to the two enterprises she would know how to deal with money and how to save it. In addition she got familiar with the process of producing bricks which she has not been aware of before they opened the enterprise.

### **Social effects**

Moreover the couple has developed their communication skills and feels much more comfortable when talking to customers.

## Future Outlook

### Private Outlook

Manjula's and her husband's dream is that all of their three children complete high school and continue their education at college.

### Pictures of the business and their owners



Picture 1: Manjula with one of her bricks



Picture 2: Manjula with two of her three children



## Profile 3: Saree Shop in Kinnal

### Facts and Figures

<b>Name of owner</b>	Nirmala	<b>Type of business</b>	Buying and reselling sarees
<b>Age of the owner</b>	50	<b>Opened business in</b>	Mai 2008
<b>Civil status</b>	Widowed, fife daughters	<b>Location</b>	Kinnal
<b>SHG</b>	Saraswati	<b>Point of sale</b>	At home
<b>Illiterate/literate</b>	literate	<b>Employees</b>	Nirmala managers the business by herself

### Situation before having opened the own business

Nirmala has always been a housewife taking care of her fife daughters before she opened her saree business. Unfortunately her husband diseased a very long time ago when her children were still young. However due to her mother's support, Nirmala could devote most of her time at home as housewife taking care of her daughters without being pressured to earn the family's income. Nirmala seems to be a power woman and is part of the finance committee of one of Sampark's clusters. Besides having taken a loan for her saree business she also took a credit from Sampark to finance her daughters' education. Her children thus had the chance to attend school as well as university and two of them have already got their degree as software engineer and medical doctor.

### Description of the Microcredit financed enterprise

Nirmala never dared to open her own enterprise until she joined Sampark. She could have taken a regular loan from the bank but she would have missed the training of how to open and maintain a business. Having lacked this knowledge it was essential for Nirmala to get these insights and according to her this is what makes Sampark's loan program so special.

Nirmala buys sarees from a wholesaler and sells them to end consumers at her own house in Kinnal. Initially her shop only sold sarees but with the help of further loans Nirmala had the chance to extend her portfolio to night dresses and accessories. For a detailed loan schedule please refer to table 1.

Date	Amount of loan	Loan taken from	Purpose	Paid back
------	----------------	-----------------	---------	-----------



2008	50'000	Cluster	Sarees	Yes
2008	20'000	Bank	Sarees	Yes
2008	6000	SHG	Saree	Yes
2009	10'000	SHG	Sarree, night dresses and accesories	Yes
2010	20'000	Cluster	Sarree, night dresses and accesories	No

**Table 1: Loan schedule**

A precise cost and revenue breakdown could not be given. However it was mentioned that Nirmala could increase the profit of her business by 1100 IRP from 2008 to 2009.

### **Affects of the enterprise on the owner's life**

When comparing the situation of Nirmala's family before and after having opened her saree enterprises, the following affects can be recorded.

#### **Economic effects**

Since her business is generating profit, Nirmala has sufficient cash to pay the daily expenses. She is not that money constrained anymore and feels much more relaxed.

#### **Educational effects**

Furthermore she gained a broad knowledge of how to manage a business. She got to know the tools of how to generate profit, how to do bank transactions, how to manage her earnings and finally she also improved her knowledge in the area of how to best transport her goods.

#### **Social effects**

Nirmala also reported that the reputation of her shop and her family have increased over time. As a result not only residents from Kinnal but also inhabitants of neighboring villages nowadays come to her shop to buy clothes.

## Future Outlook

### Business Outlook

Due to the fact that the saree shop is prospering, Nirmala dreams of extending her business to a saree centre with a professional showroom where she also wants to employ shop assistants.

### Pictures of the business and their owners



Picture SEQ Picture \\* ARABIC 1: Nirmala with her sarees





## Profile 4: Cropping in Kolur

### Facts and Figures

<b>Name of owner</b>	Ratnama	<b>Type of business</b>	Bought dry land to do farming on
<b>Age of the owner</b>	45	<b>Opened business in</b>	
<b>Civil status</b>	Married. Six children	<b>Location</b>	Kolur
<b>SHG</b>	Mahaschelui	<b>Point of sale</b>	
<b>Illiterate/literate</b>	literate	<b>Employees</b>	Only Ratnama and her husband

### Situation before having opened the own business

Ratnama and her family already operate a stationary shop.

### Description of the Microcredit financed enterprise

In addition to that they planned to buy six acres of land for cropping which got financed by a cluster loan of 80'000 IRP. The loan was not only used to buy the land but also to clean the soil in order to plant crops, lentils and sunflower. However due to the fact that the field is a dry land the cropping depends on the rain and it seems that the owners have not thought about it. Since there has not been sufficient rainfall, the field cannot be irrigated and as a consequence no crops can be grown. Hence no revenue is currently generated.

### Future Outlook

#### Business Outlook

So far Ratnama and her family do not have a specific plan of what to do with the dry land.



## Profile 5: Seeds and slipper shop in Kampli

### Facts and Figures

<b>Name of owner</b>	Yamunabi	<b>Type of business</b>	Business 1: Preparing and packaging seeds Business 2: Selling slippers
<b>Age of the owner</b>	45	<b>Opened business in</b>	Business 1 – 2004 Business 2 - 2007
<b>Civil status</b>	Married and has two children	<b>Location</b>	Kampali
<b>SHG</b>	Gayathi	<b>Point of sale</b>	In the neighboring villages
<b>Illiterate/literate</b>	illiterate	<b>Employees</b>	Only members of her family including herself, her husband, her son and his wife

### Situation before having opened the own business

Before Yamunabi and her family opened their own two businesses, they were employed by a cooperation office trading with handmade carpets. Yanumabi and her husband produced these carpets at home. However both were not regularly paid by the cooperation and were often lacking earnings to buy daily food. Hence this caused Yanumabi's family to live under poor circumstances without knowing how to pay for their daily needs.

### Description of the Microcredit financed enterprise

#### Business 1: The seeds

Everything changed when their son had the opportunity to take a loan of 20'000 IRP from a gifted friend in 2004. With the loan the family bought sunflower seeds they would prepare and sell to shops in nearby villages. With the help of further loans taken from Sampark, the family firstly bought an oven in order to prepare the seeds in different styles such as frying, roasting etc. and secondly to grow their inventory. For a detailed loan schedule please refer to table 1.

The seeds are bought by the son and husband in Hospet and are taken to Kampli by motorbike. There it gets dried, cleaned, roasted or fried, flavored and finally packed into





small bags. The seeds production can be defined as wholesale business as the small bags of seeds are sold to shops in approximately ten neighboring villages. Twice a week the products get distributed to the shops.

Date	Amount of loan	Loan taken from	Purpose	Paid back
2006	3500	SHG	Oven and seeds	Yes
2007	10'000	Cluster	Seeds and slippers	Yes
2007	5000	SHG	Seeds and slippers	Yes
2007	6000	SHG	Seeds and slippers	Yes
2008	7000	SHG	Seeds and slippers	Yes
2009	8000	SHG	Seeds and slippers	Yes
2010	7000	SHG	Seeds and slippers	Yes
2010	15'000	Cluster	Seeds and slippers	No

**Table 1: Loan schedule**

## Business 2: The slippers

In 2007 the family started another business which is buying and re-selling slippers in neighboring villages. The business was initiated due to a loan taken from one of Sampark's clusters. The slippers are also bought in Hospet twice a month. Please see table 2 for a detailed cost breakdown of both businesses.

Expenditures for a one time purchase of seeds and slippers*		
Purchased item	Amount	IRP
Seeds	25 kg	3000
Slippers	300 pairs	5000
Transportation to Hospet		200
Transportation to other villages		200
<b>Total</b>		<b>8400</b>
* inventory lasting for 15 days		

Unfortunately the owners could not reveal any information concerning the profit structure of the business. Hence it cannot be analyzed how profitable the two businesses are and what amount of revenue is generated. However when taking a closer look on the loan schedule one can notice that loans have to be taken at least once a year to finance the inventory. This could indicate that the enterprises do not always reach breakeven and

neither earn a constant profit with which the new supply could be financed.



## **Affects of the enterprise on the owner's life**

When comparing the situation of the family before and after having opened their two enterprises, the following affects can be recorded.

### **Economic effects**

Due to constant earnings the family is no longer facing the problem of not having sufficient financial means to afford food for daily consumption.

### **Educational effects**

Apart from their financial situation Yamunabi and her family improved their knowledge in the area of how to run a business. Not only did their experience over years but also Sampark's enterprise courses help them to develop these skills. Furthermore Yamunabi, her husband as well as her son have learnt how to do bank transactions and how to most efficiently keep their earnings on their own bank account.

### **Social effects**

They report that due to the opening of the businesses the amount of people they communicate with has increased and they have gained insights in how to correspond properly in a business related context.

## **Future Outlook**

### **Business Outlook**

Currently the business owners travel around the different villages to sell their products. However in the long run Yamunabi and her family intend to open a shop and showroom where they sell their goods, too.

### **Private Outlook**

From their earnings Yamunabi dreams of building a new house as well as financing her grandchildren's education

## Pictures of the business and their owners



Picture 1: Yamunabi's husband, herself and her daughter in law



Picture 3: The oven



Picture 2: Drying and cleaning the seeds



Picture 4: Seeds, packed and ready to sell



Picture 5: Slippers